

VILLAGE OF MUIR
Ionia County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2008

VILLAGE OF MUIR
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For the year ended June 30, 2008

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

September 12, 2008

The Village Council
Village of Muir
Muir, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Muir (the "Village") as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Village. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2008, and the respective changes in financial position and cash flows of its proprietary fund types and budgetary comparisons for the General and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Muir. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

As management of the Village of Muir (“the Village”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Village for the year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Village’s financial statements, which immediately follow this section.

Financial Highlights

- The Village’s net assets decreased by \$795 (or .03 percent).
- Total expenses of the Village’s programs were \$687,202.
- Total revenues, including all program and general revenues, were \$686,407.
- At the close of the current year, the Village’s governmental funds reported combined ending fund balances of \$342,511, an increase of \$7,435 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$306,413, or 91 percent of total General Fund expenditures.
- The Village’s Sewer Enterprise Fund had \$1,044,267 in net assets at year-end.
- The Village’s Water Enterprise Fund had \$726,891 in net assets at year-end.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village’s finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer and water usage fees and special assessments).

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, roads and parks. The business-type activities of the Village are the Sewer Enterprise Fund and the Water Enterprise Fund.

The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund and Major Street Fund, each of which are considered to be major funds. Data from the Local Street Fund is presented as other governmental. The basic governmental fund financial statements can be found on pages 13-19 of this report.

The Village adopts an annual appropriated budget for its General Fund, Major Street Fund and Local Street Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary funds are used to report the same functions presented as business-type activity in the government-wide financial statements. The Village maintains the Sewer Enterprise Fund to account for its sanitary sewer usage operation and maintenance and the Water Enterprise Fund to account for its water usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24-38 of this report.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

Government –Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Muir, assets exceeded liabilities by \$2,368,463 at the close of the fiscal year.

A substantial portion of the Village's net assets, \$1,369,859 (58 percent), reflects its investment in capital assets (e.g. land, land improvements, buildings, sewer system), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Net Assets provides financial information on the Village as a whole as of June 30, 2008.

	<u>Governmental activities</u>		<u>Business type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 351,794	\$ 364,408	\$ 567,988	\$ 525,213	\$ 919,782	\$ 889,621
Note receivable	-	-	91,107	124,519	91,107	124,519
Capital assets	254,794	272,450	2,656,044	2,751,595	2,910,838	3,024,045
Total assets	606,588	636,858	3,315,139	3,401,327	3,921,727	4,038,185
Current liabilities	9,283	29,332	98,002	98,617	107,285	127,949
Long term liabilities	-	-	1,445,979	1,540,979	1,445,979	1,540,979
Total liabilities	9,283	29,332	1,543,981	1,639,596	1,553,264	1,668,928
Net assets:						
Invested in capital assets, net of related debt	254,794	272,450	1,115,065	1,120,616	1,369,859	1,393,066
Restricted	36,098	21,346	238,943	228,860	275,041	250,206
Unrestricted	306,413	313,730	417,150	412,255	723,563	725,985
Total net assets	\$ 597,305	\$ 607,526	\$1,771,158	\$1,761,731	\$2,368,463	\$2,369,257

A portion of the Village's net assets, \$275,041 (11.6 percent) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$723,563 (30.5 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results for the year ended June 30, 2008:

	<u>Governmental activities</u>		<u>Business type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue:						
Program Revenue:						
Charges for services	\$ 4,828	\$ 4,320	\$ 240,020	\$ 256,799	\$ 244,848	\$ 261,119
General Revenue:						
Property taxes	127,846	125,362	-	-	127,846	125,362
State/intergovernmental revenue	259,568	254,282	8,998	330,252	268,566	584,534
Interest earnings	13,230	12,656	21,884	20,792	35,114	33,448
Other	10,033	12,400			10,033	12,400
Total revenue	<u>\$ 415,505</u>	<u>\$ 409,020</u>	<u>\$ 270,902</u>	<u>\$ 607,843</u>	<u>\$ 686,407</u>	<u>\$1,016,863</u>
Expenses:						
General government	\$ 303,904	\$ 317,627	-	-	\$ 303,904	\$ 317,627
Public safety	17,582	17,768	-	-	17,582	17,768
Public works	89,947	85,997	-	-	89,947	85,997
Recreation and cultural	368	3,675	-	-	368	3,675
Other village	13,925	14,721	-	-	13,925	14,721
Sewer operations	-	-	\$ 83,892	\$ 101,235	83,892	101,235
Water operations	-	-	177,584	171,696	177,584	171,696
Total expenses	<u>\$ 425,726</u>	<u>\$ 439,788</u>	<u>\$ 261,476</u>	<u>\$ 272,931</u>	<u>\$ 687,202</u>	<u>\$ 712,719</u>
Increase (decrease) in net assets	\$ (10,221)	\$ (30,768)	\$ 9,426	\$ 334,912	\$ (795)	\$ 304,144
Net assets - beginning of year	<u>607,526</u>	<u>638,294</u>	<u>1,761,732</u>	<u>1,426,820</u>	<u>2,369,258</u>	<u>2,065,114</u>
Net assets - end of year	<u>\$ 597,305</u>	<u>\$ 607,526</u>	<u>\$1,771,158</u>	<u>\$ 1,761,732</u>	<u>\$2,368,463</u>	<u>\$2,369,258</u>

Governmental activities decreased the Village's net assets by \$10,221. Revenues increased by \$6,485 and expenses decreased by \$14,062.

Business-type activities increased the Village's net assets by \$9,426. Revenues decreased significantly due to the receipt of State grants to fund Sewer system improvements in 2007. The project was completed in 2007 and resulted in the large decrease in revenue.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$342,511, an increase of \$7,435 in comparison with the prior year. 89 percent of this total amount constitutes unreserved fund balance, which is available for spending at the Village's discretion.

Village of Muir's funds are described as follows:

Major Funds

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$338,462 and total expenditures and transfers out of \$345,779. It ended the year with a fund balance of \$306,413, down from \$313,730 at June 30, 2007.

The *Major Streets Fund* accounts for major street operating activities. The Fund had total revenues of \$49,582 and total expenditures of \$42,834. It ended the year with a fund balance of \$26,910, up from \$20,162 at June 30, 2007.

Nonmajor Funds

The *Local Streets Fund* accounts for local street operating activities. The fund had total revenues and transfers in of \$37,461 and total expenditures of \$29,457. It ended the year with a fund balance of \$9,188, up from \$1,184 at June 30, 2007.

Proprietary Funds. The Village's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Sewer Enterprise Fund had total revenues of \$52,826, total expenses of \$83,892, and a decrease in net assets of \$31,066 from June 30, 2007. The Water Enterprise Fund had total revenues of \$218,076, total expenses of \$177,584, and an increase in net assets of \$40,492 from June 30, 2007. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

The General Fund budget was not amended during the year.

VILLAGE OF MUIR
Management's Discussion and Analysis
June 30, 2008

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the Village had a \$4,426,590 investment in a broad range of capital assets, including land, land improvements and buildings and improvements. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

There were no capital asset purchases for the year, and accumulated depreciation increased \$113,207. The net book value of capital assets at June 30, 2008 is detailed as follows:

	Governmental	Business type	Total
Land	\$ 25,750	\$ 58,500	\$ 84,250
Buildings and improvements	24,649		24,649
Sewer and water systems		2,597,544	2,597,544
Machinery and equipment	184,726		184,726
Office equipment and furniture	2,547		2,547
Infrastructure	17,122		17,122
Net Capital Assets	\$ 254,794	\$ 2,656,044	\$ 2,910,838

Long-Term Debt

At year end, the Village had \$1,540,979 in revenue bonds outstanding. Prior year debt balances were reduced by payments of \$90,000 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the Village's Future

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Village's initial General Fund budget for 2008-09 anticipates an increase in year end fund balance of \$1,390. This estimate reflects a continuing effort to control/reduce costs within the Village, while continuing to maintain a high quality of taxpayer service.

Contacting the Village's Financial Management

This financial report is designed to provide the Village's citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Stewart, Village Clerk, Village of Muir, PO Box 205, Muir, MI, 48860-0205.

BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 320,599	\$ 280,140	\$ 600,739
Accounts receivable		31,993	31,993
Due from other governmental units	31,195	-	31,195
Current maturities of note receivable	-	16,912	16,912
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	-	238,943	238,943
Total Current Assets	<u>351,794</u>	<u>567,988</u>	<u>919,782</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	91,107	91,107
Capital assets, net of accumulated depreciation (Note D)	254,794	2,656,044	2,910,838
Total Noncurrent Assets	<u>254,794</u>	<u>2,747,151</u>	<u>3,001,945</u>
Total Assets	<u>606,588</u>	<u>3,315,139</u>	<u>3,921,727</u>
Liabilities			
Current Liabilities			
Accounts payable	4,850	-	4,850
Payroll withholdings	4,433	-	4,433
Due to other governmental units	-	3,002	3,002
Current portion of noncurrent liabilities	-	95,000	95,000
Total Current Liabilities	<u>9,283</u>	<u>98,002</u>	<u>107,285</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable	-	1,540,979	1,540,979
Less current portion of noncurrent liabilities	-	(95,000)	(95,000)
Total Noncurrent Liabilities	<u>-</u>	<u>1,445,979</u>	<u>1,445,979</u>
Total Liabilities	<u>9,283</u>	<u>1,543,981</u>	<u>1,553,264</u>
Net Assets			
Invested in capital assets, net of related debt	254,794	1,115,065	1,369,859
Restricted for:			
Water and sewer		238,943	238,943
Major streets	26,910	-	26,910
Local streets	9,188	-	9,188
Unrestricted	306,413	417,150	723,563
Total Net Assets	<u>\$ 597,305</u>	<u>\$ 1,771,158</u>	<u>\$ 2,368,463</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 303,904	\$ 4,828	\$ -	\$ -
Public safety	17,582	-	-	-
Public works	89,947	-	50,343	-
Recreation and cultural	368	-	-	-
Other	13,925	-	-	-
Total governmental activities	425,726	4,828	50,343	-
Business-type activities:				
Sewer	83,892	32,976	-	-
Water	177,584	207,044	-	-
Total business-type activities	261,476	240,020	-	-
Total Primary Government	\$ 687,202	\$ 244,848	\$ 50,343	\$ -
General revenues:				
Property taxes levied for:				
General operations				
State revenue sharing				
Reimbursement revenue				
Unrestricted investment earnings				
Other revenues				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (299,076)	\$ -	\$ (299,076)
(17,582)	-	(17,582)
(39,604)	-	(39,604)
(368)	-	(368)
(13,925)	-	(13,925)
<u>(370,555)</u>	<u>-</u>	<u>(370,555)</u>
-	(50,916)	(50,916)
-	29,460	29,460
<u>-</u>	<u>(21,456)</u>	<u>(21,456)</u>
<u>(370,555)</u>	<u>(21,456)</u>	<u>(392,011)</u>
127,846	-	127,846
71,330	-	71,330
137,895	8,998	146,893
13,230	21,884	35,114
10,033	-	10,033
<u>360,334</u>	<u>30,882</u>	<u>391,216</u>
(10,221)	9,426	(795)
<u>607,526</u>	<u>1,761,732</u>	<u>2,369,258</u>
<u>\$ 597,305</u>	<u>\$ 1,771,158</u>	<u>\$ 2,368,463</u>

VILLAGE OF MUIR
Balance Sheet
Governmental Funds
June 30, 2008

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Assets				
Cash equivalents, deposits and investments (Note B)	\$ 292,879	\$ 20,900	\$ 6,820	\$ 320,599
Due from other governmental units	22,817	6,010	2,368	31,195
Total Assets	<u>\$ 315,696</u>	<u>\$ 26,910</u>	<u>\$ 9,188</u>	<u>\$ 351,794</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,850	\$ -	\$ -	\$ 4,850
Payroll withholdings	4,433	-	-	4,433
Total Liabilities	<u>9,283</u>	<u>-</u>	<u>-</u>	<u>9,283</u>
Fund Balances				
Unreserved:				
Designated, reported in:				
Special revenue funds	-	26,910	9,188	36,098
Undesignated	306,413	-	-	306,413
Total Fund Balances	<u>306,413</u>	<u>26,910</u>	<u>9,188</u>	<u>342,511</u>
Total Liabilities and Fund Balances	<u>\$ 315,696</u>	<u>\$ 26,910</u>	<u>\$ 9,188</u>	<u>\$ 351,794</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances	\$ 342,511
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in
governmental funds. The cost of assets is \$465,783
and accumulated depreciation is \$210,989

254,794

Total net assets - governmental activities

\$ 597,305

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Special Revenue Major Streets	Other Governmental Local Streets	Total
Revenues				
Taxes	\$ 101,942	\$ 12,952	\$ 12,952	\$ 127,846
State sources	71,330	36,109	14,234	121,673
Intergovernmental sources	137,895	-	-	137,895
Charges for services	4,828	-	-	4,828
Interest	12,434	521	275	13,230
Other	10,033	-	-	10,033
Total Revenues	338,462	49,582	27,461	415,505
Expenditures				
Current:				
General government	303,904	-	-	303,904
Public safety	17,582	-	-	17,582
Public works	-	42,834	29,457	72,291
Recreation and cultural	368	-	-	368
Other	13,925	-	-	13,925
Total Expenditures	335,779	42,834	29,457	408,070
Excess (Deficiency) of Revenues Over Expenditures	2,683	6,748	(1,996)	7,435
Other Financing Sources (Uses)				
Transfers in	-	-	10,000	10,000
Transfers out	(10,000)	-	-	(10,000)
Total Other Financing Sources (Uses)	(10,000)	-	10,000	-
Net Change in Fund Balances	(7,317)	6,748	8,004	7,435
Fund Balances, July 1, 2007	313,730	20,162	1,184	335,076
Fund Balances, June 30, 2008	\$ 306,413	\$ 26,910	\$ 9,188	\$ 342,511

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 7,435

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	(17,656)	(17,656)

Total change in net assets - governmental activities \$ (10,221)

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 101,000	\$ 101,000	\$ 101,942	\$ 942
State sources	73,000	73,000	71,330	(1,670)
Intergovernmental sources	128,000	128,000	137,895	9,895
Charges for services	5,000	5,000	4,828	(172)
Interest	8,000	8,000	12,434	4,434
Other revenue	10,500	10,500	10,033	(467)
Total Revenues	<u>325,500</u>	<u>325,500</u>	<u>338,462</u>	<u>12,962</u>
Expenditures				
Current:				
General government	288,210	288,210	303,904	(15,694)
Public safety	17,000	17,000	17,582	(582)
Recreation and cultural	5,000	5,000	368	4,632
Other	15,000	15,000	13,925	1,075
Total Expenditures	<u>325,210</u>	<u>325,210</u>	<u>335,779</u>	<u>(10,569)</u>
Excess of Revenues Over Expenditures	<u>290</u>	<u>290</u>	<u>2,683</u>	<u>2,393</u>
Other Financing Uses				
Transfers out	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net Change in Fund Balances	<u>290</u>	<u>290</u>	<u>(7,317)</u>	<u>(7,607)</u>
Fund Balances, July 1, 2007	<u>313,730</u>	<u>313,730</u>	<u>313,730</u>	<u>-</u>
Fund Balances, June 30, 2008	<u><u>\$ 314,020</u></u>	<u><u>\$ 314,020</u></u>	<u><u>\$ 306,413</u></u>	<u><u>\$ (7,607)</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Major Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 12,000	\$ 12,952	\$ 952
State sources	35,000	36,109	1,109
Interest	600	521	(79)
Other revenue	<u>1,000</u>	<u></u>	<u>(1,000)</u>
Total Revenues	<u>48,600</u>	<u>49,582</u>	<u>982</u>
Expenditures			
Current:			
Public works	<u>48,400</u>	<u>42,834</u>	<u>5,566</u>
Net Change in Fund Balances	200	6,748	6,548
Fund Balances, July 1, 2007	<u>20,162</u>	<u>20,162</u>	<u>-</u>
Fund Balances, June 30, 2008	<u><u>\$ 20,362</u></u>	<u><u>\$ 26,910</u></u>	<u><u>\$ 6,548</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Local Streets Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance With Final Budget - Favorable (Unfavorable)
Revenues			
Taxes	\$ 12,000	\$ 12,952	\$ 952
State sources	13,000	14,234	1,234
Interest	600	275	(325)
Other revenue	1,000	-	(1,000)
Total Revenues	<u>26,600</u>	<u>27,461</u>	<u>861</u>
Expenditures			
Current:			
Public works	<u>25,700</u>	<u>29,457</u>	<u>(3,757)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>900</u>	<u>(1,996)</u>	<u>(2,896)</u>
Other Financing Sources			
Transfers in	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balances	900	8,004	7,104
Fund Balances, July 1, 2007	<u>1,184</u>	<u>1,184</u>	<u>-</u>
Fund Balances, June 30, 2008	<u><u>\$ 2,084</u></u>	<u><u>\$ 9,188</u></u>	<u><u>\$ 7,104</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Assets			
Current Assets			
Cash equivalents, deposits and investments (Note B)	\$ 225,495	\$ 54,645	\$ 280,140
Accounts receivable	4,463	27,530	31,993
Current maturities of note receivable	-	16,912	16,912
Restricted assets:			
Cash equivalents, deposits and investments (Note B)	54,409	184,534	238,943
Total Current Assets	<u>284,367</u>	<u>283,621</u>	<u>567,988</u>
Noncurrent Assets			
Note receivable from Village of Lyons, net of current portion	-	91,107	91,107
Property, plant and equipment, net of accumulated depreciation (Note D)	762,902	1,893,142	2,656,044
Total Noncurrent Assets	<u>762,902</u>	<u>1,984,249</u>	<u>2,747,151</u>
Total Assets	<u>1,047,269</u>	<u>2,267,870</u>	<u>3,315,139</u>
Liabilities			
Current Liabilities			
Due to other governmental units	3,002	-	3,002
Current portion of noncurrent liabilities	-	95,000	95,000
Total Current Liabilities	<u>3,002</u>	<u>95,000</u>	<u>98,002</u>
Noncurrent Liabilities (Note E)			
Revenue bonds payable		1,540,979	1,540,979
Less current portion	-	(95,000)	(95,000)
Total Noncurrent Liabilities	<u>-</u>	<u>1,445,979</u>	<u>1,445,979</u>
Total Liabilities	<u>3,002</u>	<u>1,540,979</u>	<u>1,543,981</u>
Net Assets			
Invested in capital assets, net of related debt	762,902	352,163	1,115,065
Restricted	54,409	184,534	238,943
Unrestricted	226,956	190,194	417,150
Total Net Assets	<u>\$ 1,044,267</u>	<u>\$ 726,891</u>	<u>\$ 1,771,158</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2008

	Sewer	Water	Total
Operating Revenues			
Water sales	\$ -	\$ 200,171	\$ 200,171
Sewage disposal services	31,407	-	31,407
Hydrant rental	-	6,000	6,000
Reimbursement revenue	8,998	-	8,998
Other revenue	1,569	873	2,442
Total Operating Revenues	<u>41,974</u>	<u>207,044</u>	<u>249,018</u>
Operating Expenses			
Plant operations and maintenance	43,723	81,428	125,151
Depreciation	40,169	55,382	95,551
Total Operating Expenses	<u>83,892</u>	<u>136,810</u>	<u>220,702</u>
Operating Income (Loss)	<u>(41,918)</u>	<u>70,234</u>	<u>28,316</u>
Nonoperating Revenues (Expenses)			
Interest income	10,852	11,032	21,884
Interest expense	-	(40,774)	(40,774)
Total Nonoperating Revenues (Expenses)	<u>10,852</u>	<u>(29,742)</u>	<u>(18,890)</u>
Change in Net Assets	(31,066)	40,492	9,426
Net Assets, Beginning of Year	<u>1,075,333</u>	<u>686,399</u>	<u>1,761,732</u>
Net Assets, End of Year	<u><u>\$ 1,044,267</u></u>	<u><u>\$ 726,891</u></u>	<u><u>\$ 1,771,158</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Sewer Enterprise	Water Enterprise	Total
Cash Flows From Operating Activities			
Receipts from customers and grantors	\$ 43,787	\$ 208,040	\$ 251,827
Payments to suppliers for goods and services	(43,723)	(81,428)	(125,151)
Net Cash Provided By Operating Activities	64	126,612	126,676
Cash Flows From Capital and Related Financing Activities			
Interest paid on bonds	-	(40,774)	(40,774)
Principal payment on bonds	-	(90,000)	(90,000)
Collection on note receivable	-	32,598	32,598
Payment on due to General Fund	-	(7,281)	(7,281)
Net Cash Used By Capital and Related Financing Activities	-	(105,457)	(105,457)
Cash Flows From Investing Activities			
Sale of investments	8,019	4,606	12,625
Interest received	10,852	11,032	21,884
Net Cash Provided By By Investing Activities	18,871	15,638	34,509
Net Increase In Cash and Cash Equivalents	18,935	36,793	55,728
Cash and Cash Equivalents, beginning of year	21,525	137,789	159,314
Cash and Cash Equivalents, end of year	<u>\$ 40,460</u>	<u>\$ 174,582</u>	<u>\$ 215,042</u>

Cash and cash equivalents are captioned on the Statement of Net Assets as follows:

Cash equivalents, deposits and investments	\$ 40,460	\$ 54,645	\$ 95,105
Restricted cash equivalents, deposits and investments	-	119,937	119,937
	<u>\$ 40,460</u>	<u>\$ 174,582</u>	<u>\$ 215,042</u>

See accompanying notes to basic financial statements.

VILLAGE OF MUIR
Statement of Cash Flows
Proprietary Funds (Continued)
For the year ended June 30, 2008

	Sewer Enterprise	Water Enterprise	Total
Reconciliation of Operating Income (Loss) To Net Cash Provided By Operating Activities			
Operating income (loss)	\$ (41,918)	\$ 70,234	\$ 28,316
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,169	55,382	95,551
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	147	996	1,143
Increase (decrease) in due to other governmental units	1,666	-	1,666
Total adjustments	41,982	56,378	98,360
Net Cash Provided By Operating Activities	<u>\$ 64</u>	<u>\$ 126,612</u>	<u>\$ 126,676</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

The Village of Muir, Michigan was organized as a general law village under applicable laws of the State of Michigan and was incorporated as a village in 1856, under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Village is governed by a Council which consists of a President, Clerk, Treasurer and six Council members. The Village provides, or contributes to the providing of the following services to its residents as provided by statute: public safety (fire), highways and streets, sewer and water, parks and recreation, public improvements, planning and zoning, general administrative and other services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to local units of government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Village's accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The Village is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Village for financial statement presentation purposes, and the Village is not included in any other governmental reporting entity. Consequently, the Village's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Village as a whole. The reported information includes all of the nonfiduciary activities of the Village. The Village does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Village. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The *Major Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to major streets in the Village.

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* accounts for the operations of the Village's sewer department that provides sewer services to residents of the Village on a user charge basis.

The *Water Enterprise Fund* accounts for the operations of the Village's water department that provides water services to residents of the Village on a user charge basis.

Additionally, the Village reports the following fund:

The *Local Streets Fund* accounts for the financial resources of the general government that provide repairs and improvements to local streets in the Village.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Taxes, intergovernmental revenues and interest associated with current year are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal year. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal year. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges for services. Operating expenses for the enterprise fund include wages, benefits, supplies, utilities, charges for services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted as they are needed.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

4. Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The Village utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the Village Council.
- The completed budgets are then presented to Village electors at a public budget hearing at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- The budgets may only be amended by action of the Village Council.
- Budget appropriations lapse at fiscal year-end.
- Encumbrance accounting is not utilized.
- The original General and Special Revenue Funds budgets were not amended during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Restricted Assets

Certain proceeds of the Village bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

7. Capital Assets

Capital assets, which include property, plant and equipment, vehicles and construction in process, are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation. Infrastructure assets, including roads and bridges, are included.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Building and structures	40 years
Sanitary sewer system	40 years
Water supply system	40 years
Trucks and vehicles	5 years
Machinery and equipment	7 – 20 years
Furniture and equipment	5 – 10 years
Infrastructure	10 years

8. Property Taxes

Property taxes for the Village are attached as an enforceable lien on property as of July 1 of each year. The July 1 levy is intended to fund expenditures of the current fiscal year. Taxes are levied July and are due without penalty on or before September 15. Real property taxes not collected are returned to Ionia County for collection, which advances one hundred percent of the delinquent taxes to the Village. The collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

9. Long-Term Obligations

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statements of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

The General Fund records all payroll costs and then charges these costs back to the Sewer Enterprise, Water Enterprise, Major Streets and Local Streets Funds. The General Fund records these amounts as reimbursement revenue.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Village carried commercial insurance to cover other risks of loss. The Village has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years. There was no significant change in coverage during the year ended June 30, 2008.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Village in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Village in Michigan.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government:	
Unrestricted	\$ 600,739
Restricted	238,943
	<hr/>
	\$ 839,682
	<hr/> <hr/>

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Village during the year are detailed as follows:

1. Independent Bank
2. Union Bank

June 30, 2008 balances are detailed as follows:

	Primary Government
	<hr/>
Cash equivalents	\$ 308,547
Deposits	351,948
	<hr/>
	\$ 660,495
	<hr/> <hr/>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned to the Village. Protection of Village cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Village's cash equivalents and deposits was \$660,495 and the bank balance was \$669,127. Of the bank balance, \$284,170 was covered by federal depository insurance and \$384,957 was uninsured and uncollateralized.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Investments

Investments consist of money market accounts held in a financial services account.

As of June 30, 2008 the Village had the following investments in their portfolio:

	<u>Primary Government</u>
Primevest Financial Services	<u>\$ 179,187</u>

Concentration of Credit Risk

The Village minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, through its diversification policy which states the objective of the Village is to protect principal by diversifying its cash management portfolio to the extent practical and within sound business practices.

Note C – Interfund Receivables/Payables and Transfers

Transfers to/from other funds representing budgeted interfund transfers at June 30, 2008 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
Local Street Fund	\$ 10,000	
General Fund		\$ 10,000

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Note D – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,750	\$ -	\$ -	\$ 25,750
Capital assets, being depreciated:				
Buildings and improvements	47,250	-	-	47,250
Machinery and equipment	361,600	-	-	361,600
Office equipment and furniture	11,800	-	-	11,800
Infrastructure	19,383	-	-	19,383
	<u>465,783</u>	<u>-</u>	<u>-</u>	<u>465,783</u>
Total capital assets	465,783	\$ -	\$ -	465,783
	<u>465,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>465,783</u>
Less accumulated depreciation for:				
Buildings and improvements	21,495	\$ 1,106	\$ -	22,601
Machinery and equipment	163,227	13,647	-	176,874
Office equipment and furniture	8,288	965	-	9,253
Infrastructure	323	1,938	-	2,261
	<u>193,333</u>	<u>\$ 17,656</u>	<u>\$ -</u>	<u>210,989</u>
Total accumulated depreciation	193,333	\$ 17,656	\$ -	210,989
	<u>193,333</u>	<u>\$ 17,656</u>	<u>\$ -</u>	<u>210,989</u>
Net Capital Assets -				
Governmental Activities	<u>\$ 272,450</u>			<u>\$ 254,794</u>

Depreciation expense was charged to Village governmental activities as follows:

General government	\$ 3,157
Public works	<u>14,499</u>
	<u>\$ 17,656</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 58,500	\$ -	\$ -	\$ 58,500
Capital assets, being depreciated:				
Sewer system	522,971	-	-	522,971
Treatment facility	1,129,516	-	-	1,129,516
Water system	2,205,050	-	-	2,205,050
Improvements	44,770	-	-	44,770
 Total capital assets	 3,960,807	 \$ -	 \$ -	 3,960,807
 Less accumulated depreciation for:				
Sewer system	434,718	\$ 13,074	\$ -	447,792
Treatment facility	440,698	27,095	-	467,793
Water system	289,281	55,127	-	344,408
Improvements	44,515	255	-	44,770
 Total accumulated depreciation	 1,209,212	 \$ 95,551	 \$ -	 1,304,763
 Net Capital Assets - Business Activities	 \$ 2,751,595			 \$ 2,656,044

Depreciation expense was charged to Village business-type activities as follows:

Sewer operating	\$ 40,169
Water operating	55,382
	<u>\$ 95,551</u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Note E – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2008:

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Long-term bonds at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Business-type Activities				
Water system:				
\$1,850M September 28, 2001				
Principal maturities of \$85M to \$115M	April 1, 2022	2.30-4.00%	\$ 1,395,000	\$ 85,000
\$340M December 20, 2001:				
Principal maturities of \$10M to \$15M	April 1, 2022	2.30-4.00%	<u>145,979</u>	<u>10,000</u>
Total Business-type Activities			<u><u>\$ 1,540,979</u></u>	<u><u>\$ 95,000</u></u>

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2008 for the Water Enterprise Fund are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 95,000	\$ 38,526	\$ 133,526
2010	95,000	36,150	131,150
2011	100,000	33,776	133,776
2012	100,000	31,274	131,274
2013	105,000	28,776	133,776
2014	105,000	26,150	131,150
2015	110,000	23,526	133,526
2016	110,000	20,774	130,774
2017	110,000	18,026	128,026
2018	115,000	15,276	130,276
2019	120,000	12,400	132,400
2020	120,000	9,398	129,398
2021	130,000	6,400	136,400
2022	125,979	3,150	129,129
	<u>\$ 1,540,979</u>	<u>\$ 303,602</u>	<u>\$ 1,844,581</u>

Note F – Retirement Plan

The Village of Muir provides retirement benefits to its employees through participation in the Michigan Municipal Employees Retirement System, a defined benefit multiple employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan.

All full-time employees are eligible to participate in the Plan. Participants with 25 years of service may begin drawing out benefits at 50 years of age; those with 15 years of service, at age 55; and those with 10 years of service, at age 60.

Village employees are required to contribute 2.0% of their annual salaries to the Plan. The Village is required to contribute the amounts necessary to fund the Plan, using level percent of payroll funding principles.

The benefits of the Plan are determined by taking the member's five-year final average compensation multiplied by the percentage elected by the Village based on benefits chosen.

VILLAGE OF MUIR
Notes to Basic Financial Statements
June 30, 2008

Components of the pension benefit obligation at December 31, 2007 are as follows:

Actuarial accrued liability:	
Retirees and beneficiaries currently receiving benefits	\$ 177,430
Current employees -	
Accumulated employee contributions including allocated investment income	30,089
Employer financed	<u>175,103</u>
Total actuarial accrued liability	382,622
Net assets available for benefits at actuarial value (market value is \$261,351)	<u>258,337</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 124,285</u></u>

The rate of return on the investment of present and future assets was assumed to be 8.0% per year compounded annually.

Contributions to the plan for the year ended June 30, 2008 were \$14,705. The annual required contribution is \$10,908 for the fiscal year beginning July 1, 2008.

Note G – Stewardship, Compliance and Accountability

P.A. 621 of 1978 Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year reported in the accompanying financial statements, the Village incurred expenditures in excess of the amounts appropriated as follows:

Fund	Budget	Actual	Unfavorable Variance
General Fund	\$ 325,210	\$ 335,779	\$ 10,569
Local Streets Fund	25,700	29,457	3,757

SUPPLEMENTAL INFORMATION

VILLAGE OF MUIR
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Taxes:		
Current property taxes	\$ 86,211	\$ 85,948
Delinquent property taxes	15,731	15,192
Total taxes	<u>101,942</u>	<u>101,140</u>
State sources:		
Sales taxes	71,330	71,782
Intergovernmental sources:		
Reimbursement revenue	137,895	131,476
Charges for services:		
Cemetery	4,828	4,320
Interest:		
Interest on deposits and investments	12,434	11,961
Other revenue:		
Expense reimbursements	836	501
Donations	1,514	4,659
Other revenue	7,683	6,108
Total other revenue	<u>10,033</u>	<u>11,268</u>
Total Revenues	<u><u>\$ 338,462</u></u>	<u><u>\$ 331,947</u></u>

VILLAGE OF MUIR
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Current:		
General government:		
Village council	\$ 10,750	\$ 9,510
Election wages and expenses	1,606	-
General administration	101,951	111,111
Buildings and grounds	181,792	186,729
Legal and audit	5,070	6,720
Cemetery	2,735	400
Total general government	<u>303,904</u>	<u>314,470</u>
Public safety:		
Fire department	14,723	14,909
Ambulance	2,859	2,859
Total public safety	<u>17,582</u>	<u>17,768</u>
Recreation and cultural:		
Parks and recreation	368	3,675
Other:		
Insurance and bonds	<u>13,925</u>	<u>14,721</u>
Total Expenditures	<u><u>\$ 335,779</u></u>	<u><u>\$ 350,634</u></u>

OTHER INFORMATION

VILLAGE OF MUIR
Schedule of Indebtedness
June 30, 2008

<u>Debt</u>	<u>Year Ended June 30</u>	<u>Interest Rate(%)</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2009	2.30	\$ 85,000	\$ 17,438	\$ 17,438	\$ 119,876
	2010	3.00	85,000	16,375	16,375	117,750
	2011	3.00	90,000	15,313	15,313	120,626
	2012	3.00	90,000	14,188	14,188	118,376
	2013	3.00	95,000	13,063	13,063	121,126
	2014	3.15	95,000	11,875	11,875	118,750
	2015	3.25	100,000	10,688	10,688	121,376
	2016	3.35	100,000	9,438	9,438	118,876
	2017	3.50	100,000	8,188	8,188	116,376
	2018	3.60	105,000	6,938	6,938	118,876
	2019	3.70	110,000	5,625	5,625	121,250
	2020	3.80	110,000	4,250	4,250	118,500
	2021	4.00	115,000	2,875	2,875	120,750
	2022	4.00	115,000	1,438	1,438	117,876
			<u>1,395,000</u>	<u>137,692</u>	<u>137,692</u>	<u>1,670,384</u>
2001 Water Revenue Bonds			<u>April 1</u>	<u>October 1</u>	<u>April 1</u>	
	2009	2.30	\$ 10,000	\$ 1,825	\$ 1,825	\$ 13,650
	2010	3.00	10,000	1,700	1,700	13,400
	2011	3.00	10,000	1,575	1,575	13,150
	2012	3.00	10,000	1,449	1,449	12,898
	2013	3.00	10,000	1,325	1,325	12,650
	2014	3.15	10,000	1,200	1,200	12,400
	2015	3.25	10,000	1,075	1,075	12,150
	2016	3.35	10,000	949	949	11,898
	2017	3.50	10,000	825	825	11,650
	2018	3.60	10,000	700	700	11,400
	2019	3.70	10,000	575	575	11,150
	2020	3.80	10,000	449	449	10,898
	2021	4.00	15,000	325	325	15,650
	2022	4.00	10,979	137	137	11,253
			<u>145,979</u>	<u>14,109</u>	<u>14,109</u>	<u>174,197</u>
Total Water Enterprise Fund			<u>\$ 1,540,979</u>	<u>\$ 151,801</u>	<u>\$ 151,801</u>	<u>\$ 1,844,581</u>

VILLAGE OF MUIR
Sanitary Sewer System
Combining Schedule of Disbursements
For the year ended June 30, 2008

	Collection System	Treatment Facility	Totals
Disbursements			
Labor	\$ 12,020	\$ 11,295	\$ 23,315
Clerical wages	4,259	1,419	5,678
Insurance	493	165	658
Legal and professional	1,500	1,500	3,000
Miscellaneous	400	-	400
Office expense	1,103	368	1,470
Rentals - sewer treatment	1,985	2,728	4,713
Repairs and maintenance	581	125	706
Samples	-	1,232	1,232
Schools and seminars	424	-	424
Treasurer's wages	1,390	-	1,390
Utilities	737	-	737
Total Disbursements	\$ 24,892	\$ 18,831	\$ 43,723

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND CONSULTANTS

September 12, 2008

The Village Council
Village of Muir
Muir, Michigan

The following comments pertain to our audit of the financial records of Village of Muir as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control.

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP and GASB in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Village of Muir is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Village of Muir as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Muir's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

- Employees or management who lack the qualifications and training to fulfill certain assigned functions; specifically, the lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standard Board (GASB) requirements in preparing the Village's financial statements (including the notes to basic financial statements).

This communication is intended solely for the information and use of management, the Village Council, others within the organization, and the State of Michigan. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Benton, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

September 12, 2008

The Village Council
Village of Muir
Ionia County, Michigan

The following comments pertain to our audit of the financial records of Village of Muir as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 30, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Muir are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Village to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Village of Muir management.

Entity-wide Financial Statements

1. \$17,656 to record depreciation expense on governmental fund capital assets

General Fund

1. \$29,121 and \$4,850 to reverse and accrue accounts payable at year end.
2. \$12,795 to correct the classification of payments on the receivable from the Water Fund.

Water Enterprise Fund

1. \$90,000 to reclassify bond principal payments against the bonds payable account.
2. \$19,613 to record July 2007 payment from Lyons for lawsuit settlement.
3. \$55,382 to record depreciation expense for the year.

Sewer Enterprise Fund

1. \$83,440 to reclassify purchase of CD from due to other funds account.
2. \$24,130 to reclassify transfer accounts.
3. \$40,169 to record depreciation expense for the year.

Disagreements with Management

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated September 12, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the Village's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the Village's significant areas of internal controls. *Our findings and comments regarding the Village's internal control processes and procedures are detailed in Appendix A, attached to this letter.*

Closing

This communication is intended solely for the information and use of the Village of Muir Council and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
VILLAGE OF MUIR
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthroughs".

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of the Village of Muir are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the Village's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- The Village should complete a *documented* system of its accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.

BUDGETS

- Budget adoptions, amendments for all required funds
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
VILLAGE OF MUIR
For the Year Ended June 30, 2008

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 1. **The Village Investment Policy should be reviewed annually by the Treasurer and the Village Council to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in Village governance should be responsible for reviewing Village investments on a regular basis to insure that the requirements of the Investment Policy are being followed.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax billing/collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services
 1. **Quarterly sewer billing and collection reports should be reviewed by the someone independent of the billing process to insure that all customers are being billed and are remitting timely payments and that all collections are being timely deposited.**

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures\
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
 1. **Periodic independent review of the completed payroll preparation process, before payroll checks are printed and distributed, is recommended.**
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Appendix A - Comments On Significant Internal Control Areas for
VILLAGE OF MUIR
For the Year Ended June 30, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures
 1. **The Village should assume responsibility (now completed by the auditors) for the capital asset/depreciation lapse schedule.**

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

INFORMATIONAL TECHNOLOGY

- Internal control framework – policies and procedures
 1. **The Village should consider adopting a written set of policies and procedures to help establish a documented stable and secure IT environment.**
- Village personnel are prohibited from making changes to master files
- There are adequate physical controls over computer facilities
- Software users are prohibited from having access to source code
- Computer access is limited to specific persons and individuals have access to only applications or files that are necessary for their duties
 1. **A formalized process for granting and removing user access rights to Village software applications should be documented and approved. Users within each application should be given access to only those functions which are required to perform their regular duties.**
- Passwords are required to be complex and to be changed at regular intervals
 1. **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of applications and data files
 1. **Backups of data on Village software are performed on a regular basis and rotated offsite by a Village official. This process should be formalized and documented, and consideration should be give to encrypting or password protecting the backed up data.**
- There is a documented disaster recovery plan and it has been tested
 1. **There is no current documented plan.**